

## Message Text

CONFIDENTIAL

PAGE 01 LIMA 09253 072316Z

64

ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 L-01 EB-03 TRSE-00 NSC-05 NSCE-00

INR-07 CIAE-00 INRE-00 SSO-00 /037 W

----- 053890

O 072200Z NOV 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 7534

C O N F I D E N T I A L LIMA 9253

LIMDIS

FOR ARA - MR. FISHLOW

E.O. 11652: GDS

TAGS: EINV, EIND, PFOR, PE

SUBJECT: MARCONA - INTEREST OF ENGELHARD MINERALS (PHILIPP  
BROTHERS) IN PROVIDING "VEHICLE" TO ASSIST IN  
RESOLUTION OF MARCONA PROBLEM

1. DAVID TENDLER, PRESIDENT, PHILIPP BROTHERS (PHILBRO),  
DIVISION OF ENGELHARD MINERALS & CHEMCALS CORP., NEW YORK,  
ACCOMPANIED BY HAL BERETZ, SENIOR VICE PRESIDENT, AND TWO  
OTHER OFFICIALS, CALLED ON THE AMBASSADOR ON NOVEMBER 7 TO  
DISCUSS THEIR COMPANY'S POTENTIAL INTEREST IN ACTING AS A  
"VEHICLE," IF FEASIBLE, TO ASSIST ALL PARTIES TO THE MARCONA  
DISPUTE IN REACHING A SOLUTION.

2. TENDLER EXPLAINED THAT PHILBRO HAS HAD LONG EXPERIENCE  
IN SALES OF ALL MINERAL PRODUCTS AND HAS WORKED CLOSELY WITH  
GOP IN THE PAST. HE NOTED THAT PHILBRO HAS NO DESIRE  
OR INTENTION TO INTERFERE IN ANY WAY WITH ONGOING  
GOVERNMENT-TO-GOVERNMENT NEGOTIATIONS OVER MARCONA  
COMPENSATION ISSUE. HE SAID THAT PHILBRO ENVISAGES THE  
POSSIBILITY OF ASSISTING GOP IN FUTURE SALES CONTRACTS,  
BANK FINANCING FOR MINE, TECHNICAL ASSISTANCE, FINDING  
FURTHER MARKETS, ETC., EITHER THROUGH THEIR OWN COMPANY  
OR POSSIBLY THROUGH THIRD COMPANIES WITH WHICH THEY WORK.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LIMA 09253 072316Z

3. TENDLER ALSO SAID THAT PHILBRO AND ENGELHARD HAVE VERY CLOSE COMMERCIAL RELATIONSHIPS WITH BOTH UTAH AND CYPRUS MINES AND THAT ANY FUTURE INVOLVEMENT ON ITS PART WOULD NECESSARILY INVOLVE THE PRIOR APPROVAL OF UTAH, CYPRUS, AND MARCONA, AS WELL AS THE PRIOR APPROVAL OF THE U.S. AND PERUVIAN GOVERNMENTS. HE REITERATED SEVERAL TIMES THAT HIS COMPANY BELIEVES IT IS POSSIBLE TO BE OF ASSISTANCE IF CIRCUMSTANCES PERMIT, BUT UNDER NO CIRCUMSTANCES DOES IT WISH TO BECOME INVOLVED IN THE NEGOTIATIONS OR TO IMPEDE PROGRESS OF THE NEGOTIATIONS.

4. AMBASSADOR EXPLAINED THAT NEGOTIATIONS HAVE NOW REACHED GOVERNMENT-TO-GOVERNMENT LEVEL, WITH THE END IN VIEW TO REACHING A MUTUALLY AGREED, ACCEPTABLE BOTTOM-LINE FIGURE. HE ALSO DESCRIBED SOME OF THE CURRENT POLITICAL RESTRAINTS ON THE GOP WHICH HAVE IMPEDED A RESOLUTION TO THE MARCONA ISSUE. TENDLER SAID HE UNDERSTANDS THESE CONSTRAINTS AND THAT HIS COMPANY WOULD BE PREPARED TO WORK THROUGH THIRD PARTIES, IF CALLED FOR.

5. BERETZ GAVE SHORT DESCRIPTION OF SOME OF THE IDEAS PHILBRO WOULD BE WILLING TO CONSIDER, WHICH INCLUDE: A) PURCHASE OF VARIOUS MINERALS (INCLUDING IRON ORE) FROM MINEROPERU COMMERCIAL (MINPECO) WITH COMPENSATING BALANCES USED TO INDIRECTLY PAY MARCONA; B) BANK LOANS FOR PURCHASE OF MINERALS WHICH WOULD BE USED AS A GUARANTEE OF LOANS DOWNSTREAM; C) TECHNICAL ASSISTANCE AND SHIPPING CONTRACTS.

6. TENDLER SAID THAT THE GROUP HAS MET WITH MINPECO OFFICIALS AND WILL BE SEEING MINES MINISTER LA VERA VELARDE THIS AFTERNOON. HE SAID THEY WILL INFORM PERUVIANS THAT THEY HAVE NO INTENTION OF GETTING BETWEEN USG AND GOP ON MARCONA ISSUE, BUT OFFER CONCEPT OF THEIR ASSISTANCE AS A "VEHICLE" TO BE CONSIDERED. AMBASSADOR TOLD THEM THAT WITHOUT COMMENTING ON ANY POSSIBLE ROLE FOR ENGELHARD WITH REGARD TO REACHING BOTTOM-LINE FIGURE, HE BELIEVED THEY MIGHT BE ABLE TO ASSIST HIERROPERU FOLLOWING AN EVENTUAL SETTLEMENT.

7. TENDLER AND TEAM ARE LEAVING LIMA ON SUNDAY FOR QUITO  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LIMA 09253 072316Z

AND EXPRESSED INTEREST IN DISCUSSING THEIR IDEAS WITH DEPUTY ASSISTANT SECRETARY FISHLOW IN WASHINGTON FOLLOWING NEXT WEEK'S TALKS HERE. AMBASSADOR AGREED THIS WOULD BE AN APPROPRIATE NEXT STEP. AMBASSADOR ALSO EXPLAINED THAT THE EMBASSY WOULD INFORM FISHLOW OF THESE DISCUSSIONS.

8. COMMENT: PHILBRO TEAM IS CLEARLY AWARE OF POLITICAL

IMPLICATIONS OF DIRECT INVOLVEMENT IN CURRENT GOVERNMENT-TO-GOVERNMENT NEGOTIATIONS. THEY ARE WELL-KNOWN MINERALS BUYERS, HAVE LARGE FINANCIAL RESOURCES, AND THEREFORE MIGHT WELL BE IN A POSITION TO OFFER AN ATTRACTIVE PACKAGE TO GOP AT SOME FUTURE DATE. WHETHER THEY MIGHT BE ABLE TO EFFECTIVELY PROVIDE A "VEHICLE" AT THIS STAGE OF NEGOTIATIONS IS DOUBTFUL, PARTICULARLY IF GOP SIDE MAINTAINS ITS POSITION THAT SETTLEMENT SHOULD BE REACHED WITHOUT ANY REFERENCE TO SALES, SHIPPING, ETC., AND ONLY THROUGH BOTTOM-LINE FIGURE. IN ADDITION, OF COURSE, THEIR PRESENCE IN LIMA MAY ALSO STIMULATE SOME THOUGHT ON GOP SIDE AS TO HOW TO ORGANIZE A FINAL PACKAGE, WHICH COULD CONCEIVABLY INCLUDE SOME OF THE ELEMENTS MENTIONED BY PHILBRO, IF GOP SHOULD OPT FOR A DIFFERENT APPROACH THAN THAT CURRENTLY ENVISAGED TO REACHING AGREEMENT. WE WILL PROBABLY HAVE A CLEARER IDEA OF THEIR POTENTIAL ROLE, IF ANY, FOLLOWING NEXT WEEK'S TALKS.

9. THIS TELEGRAM CONTAINS PROPRIETARY INFORMATION WHICH SHOULD NOT BE DIVULGED TO THIRD PARTIES.

DEAN

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COMPENSATION, NATIONALIZATION, DISPUTE SETTLEMENT, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 NOV 1975  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975LIMA09253  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750388-0549  
**From:** LIMA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19751164/aaaacffz.tel  
**Line Count:** 137  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** LIMDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** LIMDIS  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 SEP 2003 by KelleyW0>; APPROVED <12 NOV 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MARCONA - INTEREST OF ENGELHARD MINERALS (PHILIPP BROTHERS) IN PROVIDING "VEHICLE" TO ASSIST IN  
**TAGS:** EINV, EIND, PFOR, PE, MARCONA, ENGELHARD MINERALS, PHILIPP BROTHERS  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006